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Ensuring the financial sustainability of business entities

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ABSTRACT

This article deals with the possibilities for maintaining financial sustainability of businesses, the factors influencing them, the characteristics of production activities, the analysis of the financial sustainability of scientists, and the ability to attract financial resources to commercial entities.

Keywords: investment attractiveness, solvency, credit, production, financial resources, financial capacity.

1. INTRODUCTION

One of the indicators that characterizes the stable economic situation of joint stock companies is its financial stability. Financial stability is the main indicator of successful activity of the joint stock company and is the basis for making decisions regarding the development of future activity. It is also an important indicator for the commercial attractiveness of the businesses, credit ratings and strong economic links with partners. That is why in developed countries, attention is paid to the financial sustainability of companies' management and financial services, as well as the constant monitoring of internal and external factors affecting it.

Despite the fact that financial sustainability is an indicator that reflects all aspects of financial performance and condition of commercial entities, joint stock companies operating in the industrial sector of the national economy do not pay much attention to its importance. Not enough attention is paid to the management of financial stability, especially in large commercial entities, with a long-term production and financial cycle, high capital-intensive production and high turnover funds, which is a feature of production activities.

2. LITERATURE REVIEW

The economic literature reveals different approaches to the coverage of financial stability. They have some aspects of financial sustainability, and some of them. Financial sustainability is a multidimensional existence, and a comprehensive interpretation of its essence is important for decision-making.

The Uzbek Economic Encyclopedia describes the financial sustainability of enterprises as a stable financial condition that provides a normal reproduction process, allowing timely payments and creating reserves for social and other needs of the enterprise [2]. In this definition, financial stability is treated as a result of financial management.

Professor E.A. Akramov acknowledges that the process of forming and efficient use of enterprise financial resources as a comprehensive indicator of financial stability [3]. In this tariff, financial stability is unilaterally highlighted, with a particular emphasis on the internal manifestation of financial stability.

AV Ibrokhimov and N.F. Ishenkulov explains that the analysis of financial stability is an important step in assessing the financial condition of an enterprise [4]. At the same time, financial stability is regarded as a system of key indicators that reflects the financial condition.

Professor M.M. Tulakhodjaeva describes the essence of financial stability as the process of forming additional resources and sources of financial resources [5].

O. Bobojonov and K. Jumaniyazov points out that financial stability is an important aspect of financial accounting.

Although there is no holistic methodological approach to financial sustainability in the area of financial analysis, some aspects of it are highlighted. In most cases, the analysis of financial stability is based

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on a specific system of coefficients (solvency, liquidity, etc.). However, the dynamics of changes in these coefficients under the influence of internal and external factors is not widely described.

The Russian economist E.V. Grebeshchnikova clarifies that the financial sustainability of an enterprise is a financially viable position within the sources of funding, providing sufficient financial independence to provide sufficient equity and external exposure [7]. The definition of financial stability is widely covered in this definition.

A.D. Sheremet and E.V. Negashev argues that financial stability is an important indicator of financial performance. This idea is most clearly reflected in the development of a system of proposals for the classification of the financial position of the enterprise by the level of financial stability.

According to ADSheremet, the essence of financial stability of the enterprise is the ability to provide its resources with adequate financial resources, the ability to finance working capital financing at the expense of own funds.

I.A. Blank i V.V. Kovalev argues that the financial sustainability of an enterprise depends on the overall financial structure of economic entities, its degree of dependence on creditors and investors [9].

Hence, financial sustainability in these definitions is an indication of two main processes. First, it describes the effectiveness of the formation, use and allocation of financial resources, which reflects the internal manifestation of financial stability. Secondly, the financial structure of capital is characterized by the solvency, creditworthiness, and liquidity of external capital.

Based on the above theoretical studies, we can define financial sustainability: a system of indicators that represents the ability of financial business entities to manage financial resources that provide a reasonable level of profitability, sustainable capital and solvency, and liquidity in certain contexts.

Internal stability of financial stability, on the one hand, characterizes the constant excess of income over expenses, and the effective use of funds by commercial entities for free maneuvering and continuous reproduction. Thus, the internal manifestation of financial stability is expressed through the optimal formation, allocation and efficient use of the financial resources required for the production process.

3. RESEARCH METHODOLOGY

The theoretical and methodological basis of this article is general economic literature and scientific articles, researches of economists on issues of commercial activity, interviews with scientists and industry representatives, analysis of their written and oral opinions, expert evaluation, comparative analysis. conclusions, suggestions and recommendations are given. In the course of the study, along with general economic methods, special methods for data systematization were used, such as comparisons, theoretical and practical materials, and systematic analysis.

4. ANALYSIS AND RESULTS

Financial stability is a key indicator of the economic stability of businesses operating on a commercial basis. It is important that the condition of financial resources corresponds to the market environment and that the subjects of commercial activity meet the development needs. Inadequate financial stability leads to a decrease in the solvency of commercial entities, reducing the investment and financial capacity needed for their further development.

The external manifestations of financial stability are expressed through solvency, creditworthiness and liquidity. Where solvency is considered to be a complete and timely fulfillment of obligations, liquidity represents the ability of commercial entities to repay current liabilities. Consequently, the external manifestation of financial stability is determined by the qualitative characteristics of the composition of assets and liabilities.

The highest criterion of stability of commercial entities is its ability to develop. For this purpose, commercial entities should have adequate financial resources and ability to attract financial resources. Based on this, most economists also consider creditworthiness as a key component of financial stability.

Many factors influence the solvency of business entities. Summarizing these factors can be seen in the picture below. As can be seen from the picture, financial stability is largely dependent on external factors.

Macroeconomic environment, payment systems and market conditions are influenced by such external factors. In the picture above, we will look at the factors that affect the financial stability of businesses.

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In addition, the market position and the potential for business partnerships of commercial entities are also influencing factors. The limiting factors are often internal factors, which also depend on the establishment of a system for managing financial assets, liabilities and financial results.

The ratio of financial independence calculated on the activities of commercial entities in some sectors of the economy is lower than the industry average. Although this has led to improvements in the financial position of commercial entities operating in some industries, this has been achieved through targeted financing and revenues, rather than through retained earnings.

In 2018, measures were taken to lift the business entity from unstable financial position. This is mainly due to the reduction of current liabilities, the increase of fixed assets through the acquisition of private equity through the state targeted financing system and the attraction of long-term bank loans. In addition, the decrease in inventories is due to the reduction of finished goods.

This, in turn, causes the need for commercial entities to make decisions about the systematic management of current assets to the financial services system.

Although the current financial performance of the business entity is subject to regulatory financial stability as a result of the management of the assets of a commercial entity, the 2013–2018 retrospective analysis data indicates that there is a systematic approach to the asset management system. In addition, it is evident that the current asset management system is not aligned with the strategy that represents the future development plan for a commercial entity.

This can be seen, first of all, in the presence of chaotic fluctuations in the performance of each asset and its components, and the changes in indicators that characterize those oscillations are mainly the result of spontaneous decisions related to current problems in the current activity.

This, in turn, indicates the need for deepening the reforms to systematize the operational and strategic financial management system in order to improve the future competitiveness of commercial entities.

5. CONCLUSION/RECOMMENDATIONS

In conclusion, it is necessary to make a decision to systematically manage the current assets of a business entity in front of the financial services system.

From our point of view, taking into account the fact that the borrowing rate affects financial stability, it is necessary to use a relatively comprehensive characteristic of investment attractiveness rather than the ability to attract financial resources. Because we believe that the ability to attract financial resources should not be focused solely on key indicators of borrowing.

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